GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3058
ANSWERED ON:12.08.2005
WRITING OFF OF DEBT
Oram Shri Jual

Will the Minister of FINANCE be pleased to state:

(a) the total amount of loan owed by various States to the Union Government;

(b) whether the Union Government has a proposal to write off the States` debts;

(c) whether some other fiscal reform measures are also proposed by the Government; and

(d) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a): A statement containing amounts of outstanding loans due to Government of India, Ministry of Finance, as on 31.3.2005, by various state Governments, is annexed. These pertain to the loans contracted till 31.3.2004.

(b to d) : Yes, Sir. Consequent upon the acceptance of the recommendations of the Twelfth Finance Commission, Government of India has formulated and circulated a scheme called `The States` Debt Consolidation and Relief Facility (2005-06 to 2009-10)`. Under the scheme, the past Central loans contracted till 31.3.2004 and outstanding as on 31.3.2005 are to be consolidated and rescheduled for repayment in 20 equal annual installments at a reduced interest rate of 7.5%, subject to states enacting Fiscal Responsibility and Budget Management Acts with suggested core provisions. In addition, the debt write-off recommended by TFC is linked to reduction of revenue deficit of states for repayments due from 2005-06 to 2009-10 on the consolidated central loan, subject to laid down conditions.

State Governments are also required, inter-alia, to formulate their own fiscal correction path outlining various reforms to augment their revenues and compress their expenditure to eliminate their revenue deficits by the year 2008-09 and control their fiscal deficits.